

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-07 IO-10 NEA-09 NSAE-00 RSC-01

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R 101606Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5744

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS TREASURY

E.O. LL652: N/A

TAGS: EFIN, FR

SUBJECT: ECONOMICS MINISTER ON FRENCH ECONOMIC OUTLOOK

1. DURING CURRENT WEEK ECONOMICS AND FINANCE MINISTER FOURCADE HAS HAD PUBLISHED AN INTERVIEW WITH WEEKLY MAGAZINE, PARIS MATCH, HAS MET WITH TWO BUSINESS LUNCHEON GROUPS AND MADE APPEARANCE BEFORE JOINT SESSION OF ASSEMBLY COMMITTEES ON FOREIGN AFFAIRS AND FINANCE TO EXPLAIN GOVERNMENT'S DECISION ON REVALUATION OF GOLD STOCK. THESE EVENTS HAVE PRODUCED CONSIDERABLE COPY RE MINISTER'S VIEWS ON FRENCH ECONOMIC SITUATION AND OUTLOOK, OF WHICH FOLLOWING ARE HIGHLIGHTS.

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2. PRICES: WITH INCREASE OF ONLY 0.9 PERCENT IN CONSUM-

ER PRICE INDEX FOR NOVEMBER, GOVERNMENT HAS ACHIEVED ITS FIRST TARGET OF BRINGING MONTHLY RATE OF PRICE INCREASES TO UNDER 1 PERCENT BY END OF 1974. FURTHERMORE, THIS REPRESENTS ANNUAL RATE OF INCREASE OF 11 PERCENT, WHICH OECD RECENTLY PREDICTED WOULD NOT BE ACHIEVED BEFORE SOME TIME IN 1975. FOURCADE SAID HE REMAINED CONFIDENT THAT BY MID-YEAR, MONTHLY RATE OF INCREASE WOULD BE DOWN TO 0.5 OR 0.6 PERCENT. TO EXPLAIN "CONTRADICTION" BETWEEN HIS FORECAST AND THAT OF OECD, HE SAID THAT AS INTERNATIONAL ORGANIZATION, OECD GAVE CONSIDERABLE WEIGHT TO INFLUENCE OF U.S. ECONOMY -- "TO WHICH FRENCH ECONOMY IS NOT VERY CLOSELY TIED" -- AND LESS TO COMMON MARKET COUNTRIES, WHICH ARE FRANCE'S PRINCIPAL TRADING PARTNERS.

3. FOREIGN TRADE: FOURCADE ALSO CRITICIZED OECD FOR ITS ESTIMATE OF 26 BILLION FRANC TRADE DEFICIT IN 1974. HE SAID IT WAS ALREADY CLEAR DEFICIT WOULD BE LESS THAN 20 BILLION FRANCS. (COMMENT: THIS IS LIKE COMPARING APPLES AND ORANGES. OECD FIGURE RELATES TO DEFICIT IN BALANCE OF PAYMENTS TERMS, WHEREAS FRENCH FIGURE IS BASED ON CUSTOMS STATISTICS FOR TRADE OF METROPOLITAN FRANCE ONLY.)

4. BALANCE OF PAYMENTS: CURRENT ACCOUNT DEFICIT FOR 1974 NOW ESTIMATED AT 30 BILLION FRANCS (COMPARED TO INITIAL FORECAST OF 35 BILLION), WITH TRADE DEFICIT AT 19 BILLION FRANCS (COMPARED TO INITIAL FORECAST OF 22.8 BILLION). PROJECTED CURRENT ACCOUNT DEFICIT FOR 1975 IS ROUGHLY 20 BILLION FRANCS, WITH TRADE DEFICIT OF 10 BILLION.

5. EXTERNAL BORROWING IN 1974: AUTHORIZATIONS FOR MEDIUM AND LONG-TERM EXTERNAL BORROWING TO COVER PAYMENTS DEFICIT TOTALED 35 BILLION FRANCS. HOWEVER, AS OF DECEMBER 20 ACTUAL DRAWINGS DID NOT EXCEED 13 BILLION. LOANS GENERALLY WERE FOR SEVEN YEARS WITH INTEREST RATE OF LESS THAN 10 PERCENT.

6. ECONOMIC POLICY: STRUGGLE AGAINST INFLATION REMAINS PRIORITY OBJECTIVE OF GOVERNMENT AND THIS UNCLASSIFIED

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EFFORT WILL NOT BE RELAXED UNTIL RATE OF INCREASE IN FRENCH PRICES HAS BEEN BROUGHT DOWN TO LEVEL COMPARABLE TO THAT OF FRANCE'S PRINCIPAL TRADING PARTNERS, NOTABLY GERMANY. HOWEVER, FRENCH POLICY AIMS AT ALSO MAINTAINING RELATIVELY HIGH RATE OF GROWTH: 4.2 PERCENT IS FORESEEN FOR 1975.
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